

# Declines in Value

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## General

In 1978, California voters passed Proposition 8, which is a constitutional amendment to [article XIII A](#) allowing a temporary reduction to the assessed value when real property suffers a decline in value. A decline in value occurs when the current market value of real property is less than its factored base year value (FBYV).

[Section 51\(a\)](#) provides that for each lien date after the lien date in which the base year value is determined pursuant to [section 110.1](#), the taxable value of real property shall be the lesser of the property's FBYV or its current market (full cash) value, as defined in [section 110](#), as of the lien date. [Section 51\(e\)](#) provides that, while the assessor is not required to make an annual reappraisal of all assessable property, once a property has been reduced due to a decline in value, for each lien date after the first lien date the property value was reduced, the value of that property shall be annually reappraised at its full cash value until that value exceeds its FBYV.

[Section 619\(a\)](#) requires the assessor to notify each assessee of real property on the local secured roll whose property's full value has increased over its full value for the prior year as it shall appear on the completed local roll. [Section 619\(b\)](#) provides that the assessor shall include a notification of hearings by the county board of equalization, including the appeals filing period and the place where the appeal may be filed, as well as an explanation of the stipulation procedure set forth in [section 1607](#). In addition, [section 619\(c\)](#) provides that the notice for decline-in-value properties shall include the FBYV of the property. [Section 619\(f\)](#) provides that the increase does not apply to annual increases in the valuation of property which reflect the inflation rate, not to exceed 2 percent.

## Scope of Review

The BOE's assessment practices survey includes a review of the assessor's practices and procedures for the discovery and valuation of potential declines in value, performing annual reviews for subsequent years, and properly notifying taxpayers of changes to their current assessed value.

The specific areas of review may include, but are not limited to, the following:

### General Program Elements

- How many properties did the assessor review for potential declines in value and annual reviews for existing decline-in-value assessments?
- How many decline-in-value assessments does the assessor have on the current assessment roll?
- Does the assessor have a formal declines in value program to identify and assess properties having experienced a decline in value? If so,
  - What kind of program does the assessor have in place?

- Is the program computer-generated? or
- Are decline-in-value reviews manually performed?

## **Discovery**

- How does the assessor discover declines in value?
  - Taxpayer's informal request for review?
    - Does the assessor have a county-developed form for taxpayers to file an informal request for review of their current assessed value?
    - Are taxpayers properly notified of their rights to file an assessment appeal if the assessor cannot process the informal review before the assessment appeals filing deadline?
  - Assessment appeals?
  - Formal computer-generated declines in value program?
  - Appraisers' knowledge of property values in their assigned areas?
  - Other?

## **Assessments**

- What methods of valuation does the assessor use to value decline-in-value assessments?
  - Comparative Sales Approach?
  - Cost Approach?
  - Income Approach?
  - Other?
- When the assessor determines that a property has declined in value and it is located in a homogeneous tract or neighborhood, does the assessor review all of the properties located in that tract for potential declines in value?
- Does the assessor properly document the property appraisal record to show all adjustments made and supporting documentation used in the valuation process for the decline in value?
- Does the assessor include new construction that was previously excluded from assessment when estimating the full cash value for decline-in-value purposes?
- Does the assessor treat fixtures as a separate appraisal unit when measuring declines in value?
- Does the assessor annually review all decline-in-value assessments after the first lien date in which the taxable value was reduced?
- Does the assessor apply the inflation factor to the taxable value of the decline-in-value property?
- How does the assessor track and/or code decline-in-value assessments on the assessment roll for identification purposes?

## Notification

- Does the assessor notify taxpayers of the results of their informal request for review?
- When the assessor initiates the review, does the assessor notify the taxpayer of the results of the review?
- Does the assessor notify the taxpayer of changes to their assessed value from the prior year's roll value?
  - When the assessed value is increased (fully or partially restored back to its FBV)?
  - When the assessed value is decreased?
  - When the assessed value remains unchanged on the roll?
- Does the assessor's value change notice include:
  - Notification of hearings by the county board of equalization, including the appeals filing period and the place where the appeal may be submitted?
  - Information regarding the stipulation procedure?
  - FBV, as well as the proposed assessed value?